



# **Internal Audit Report**

Random Cash Counts  
May 2002



## **Audit Team Members**

**George Miller, Audit Manager**

**Cathleen Galassi, Senior Auditor**

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**Christina Black, Associate Auditor**

# Internal Audit Department

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May 20, 2002

Don Stapley, Chairman, Board of Supervisors  
Fulton Brock, Supervisor, District I  
Andrew Kunasek, Supervisor, District III  
Max Wilson, Supervisor, District IV  
Mary Rose Wilcox, Supervisor, District V

We have completed random cash count audits at the following County offices:

- Total Compensation: Employee Benefits Office.
- Human Resources Department: County Store.
- Parks and Recreation Department: Lake Pleasant Park.

These limited scope reviews were performed in accordance with Government Auditing Standards and our annual audit plan, which was approved by the Board of Supervisors. We found no significant exceptions to physical counts of cash and checks during our testing procedures. Certain control weaknesses were identified and these are summarized in the Executive Summary of this report.

The complete audit report and the departments' written responses are also included. We have reviewed this information with department management.

We thank the Human Resources, Total Compensation, and Parks and Recreation departments' management and staff for their excellent cooperation. If you have any questions or wish to discuss anything presented in this report, please contact George Miller at 506-6092.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate  
County Auditor

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# Executive Summary

## **Employee Benefits Office** Page 2

Our review of the procedures followed by the Employee Benefits Office to process checks received found controls to be adequate overall. One exception was identified; financial reconciliation activities had not been performed, which expose the County to risk. We also reviewed 28 checks on hand and found one minor control weakness. The Employee Benefits Office should strengthen controls in these areas.

## **County Store** Page 4

We found no exceptions or significant control weaknesses at the County Store during our random cash count. However, the office has not assigned staff to serve as back-up when the employees responsible for making deposits and performing reconciliations are absent. The Human Resources Department (HR) should designate and train staff to serve as back up.

## **Lake Pleasant Park** Page 5

Our random cash testing activities at Lake Pleasant Park identified no control weaknesses or material exceptions. The park's procedures for handling cash receipts are adequate to ensure that the receipts are safeguarded, deposited in a timely manner, and accurately reported.

# Issue 1 Employee Benefits Office

## Summary

Our review of the procedures followed by the Employee Benefits Office to process checks received found controls to be adequate overall. One exception was identified; financial reconciliation activities had not been performed, which expose the County to risk. We also reviewed 28 checks on hand and found one minor control weakness. The Employee Benefits Office should strengthen controls in these areas.

## Applicable Requirements

The State and Local Government Committee of the American Institute of Certified Public Accountants (AICPA) recommends forty safeguards and procedural controls over cash receipts. Five of the most important controls are:

- The duties of cash collection, receipts, deposit preparation, and recording should be adequately segregated.
- Incoming checks should be restrictively endorsed when received.
- Cash receipts should be controlled by cash register, pre-numbered receipts, or other equivalent means.
- Cash receipts should be deposited in a timely manner; any undeposited cash receipts should be adequately secured.
- Cash receipts should be balanced to daily cash collections on a regular basis.

## Benefit Payment Checks

We reviewed the process used by the Benefits Office for receipting, depositing, and reconciling benefit payment checks received from employees, retirees, and the Arizona State Retirement System. We found that the office has established controls that adequately meet the AICPA standards above, with one exception. The office does not reconcile deposits to its Cash Receipt Log and the Treasurer's Cash Receipts Transmittal (CRT), which increases the risk of errors and possible lost revenues.

We also compared 28 checks (\$3,270 total) received by the office against its Check Receipt Log. We found that 24 (86%) checks were received timely, logged, and endorsed. Four checks (less than \$200 total) had not been logged. Upon further review, we found that two of the checks were being investigated for appropriateness and two others had just been received and had not yet been logged or endorsed. The office has not developed written procedures for investigating checks received that may not be benefits related.

**Recommendation**

The Employee Benefits Office should:

- A. Reconcile checks received to its Check Receipt Log and the Treasurer's CRT.
- B. Develop a written procedure for handling checks that are not related to employee benefits and, as a result, need to be investigated further.

## Issue 2 County Store

### Summary

We found no exceptions or significant control weaknesses at the County Store during our random cash count. However, the office has not assigned staff to serve as back up when the employees responsible for making deposits and performing reconciliations are absent. The Human Resources Department (HR) should designate and train staff to serve as back up.

### Applicable Requirements

The AICPA safeguards and procedural controls over cash receipts identified in Issue #1 also apply to County Store cash handling activities. The County Store is an HR operation that sells event tickets, clothing, and merchandise to employees of the County and other governmental agencies.

### Cash Handling Activities

We reviewed the County Store's procedures for cash receipts, deposits, and financial reconciliations and found the following:

- The County Store has revised its reconciliation form using recommendations from last year's random cash audit.
- Cash handling duties are adequately segregated among staff.
- The County Store's change fund and undeposited cash receipts (\$2,021) were adequately secured in a safe.
- Our unannounced cash count reconciled to the cash register tape with no discrepancies.

During the week of our review, one Customer Service Representative handled County Store sales and cash drawer operations alone because the supervisor was out. As a result, no cash deposits had been made and daily reconciliations had not been performed. HR has not assigned or trained back-up persons to perform these activities.

NOTE: While conducting this random cash count we also reviewed the County Store's controls over ticket sales, receipts, and inventories. Those results will be presented in our Human Resources Department audit report that will be issued later this year.

### Recommendation

HR should assign and train back-up persons to make deposits and perform reconciliations, for County Store cash receipts, when a supervisor is unavailable.



## Issue 3 Lake Pleasant Park

### Summary

Our random cash testing activities at Lake Pleasant Park identified no control weaknesses or material exceptions. The park's procedures for handling cash receipts are adequate to ensure that the receipts are safeguarded, deposited in a timely manner, and accurately reported.

### Applicable Requirements

The AICPA safeguards and procedural controls over cash receipts identified in Issue #1 also apply to cash handling activities at Lake Pleasant Park. This park is one of the many County parks that are managed and operated by the Parks and Recreation Department.

### Test Results

We performed a random cash count of all Lake Pleasant Park change funds on February 11, 2002. The results are summarized below:

Desert Outdoor Center: Cash on hand equaled the change fund of \$100 plus one small dollar gift shop purchase. The Gift Shop was closed and the Park Host could not open the safe, so we were unable to perform a previous day cash to register tape verification.

North Gate: Cash on hand equaled the change fund of \$50. Collections for the day would not be remitted to the entry gate cashier until the following morning.

Visitor Center: Cash on hand equaled the change fund of \$130. The Visitor Center was closed, therefore, we were able to count the change fund only.

Entry Gate: Cash on hand equaled change fund of \$100 plus receipts. A non-material (\$1.00) shortage was found.

The Parks and Recreation Department has centralized the Lake Pleasant Park cash reconciliation process utilizing the entry gate head cashier. However, the department has established two mitigating controls.

- The Park Supervisor reviews daily cash collection reports for the North and Entry Gate collections.
- The Visitor Center reconciliation and revenue reports are submitted directly to department administration for review.

### Recommendation

None, for information only.



# Maricopa County

Total Compensation

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Phone: (602) 506-1010  
Fax: (602) 506-2354

## Random Cash Count Audit Response Employee Benefits Department May 10, 2002

### **Issue #1:**

Financial reconciliation activities have not been performed, which expose the County to risk. The Employee Benefits Office should strengthen controls in these areas.

### **Recommendation A:**

Reconcile checks received to its Check Receipt Log and the Treasurer's CRT.

**Response:** Concur - HR Administration Accountant will perform reconciliation of all checks received in the Employee Benefits Office with the Treasurer's Check Receipt Log.

**Target Completion Date:** June 2002

**Benefit /Costs:** No additional cost. County will not be at risk.

**Recommendation B:** Develop written procedure for handling checks that are not related to Employee Benefits and, as result, need to be investigated further.

**Response:** Concur – See attach document for detailed procedures.

**Target Completion Date:** 5/1/02

**Benefit/Costs:** No additional cost. County will not be at risk.

Approved By: \_\_\_\_\_

Department Head/Elected Official

5/10/02  
Date

\_\_\_\_\_

Chief Officer

5-13-02  
Date

\_\_\_\_\_

County Administrative Officer

5/13/02  
Date

Sandi Wilson  
Deputy County Administrator

Sue Wybraniec  
Human Resources Director



Human Resources  
Department

**RECEIVED**

MAY 8 2002

May 6, 2002

INTERNAL AUDIT

TO: Ross Tate, Internal Auditor

FROM: Sue Wybraniec, HR Director *Sue Wybraniec*

VIA: Sandi Wilson, Deputy County Administrator *Sw*  
David R. Smith, County Administrative Officer

RE: Random Cash Counts – Audit Response

Thank you for your recent random audit of the County Store cash account. We consider each audit an opportunity to improve systems.

**Issue # 2:**

**HR should assign and train back-up persons to make deposits and perform reconciliations, for County Store cash receipts, when a supervisor is unavailable.**

**Response:** Concur. Because of the small staff in Customer Service, it is our intention to cross-train all employees. One additional staff member, Nicole Kennedy, and one regular temporary, Debbie Neitch, a long-time County employee who has recently retired, have already been trained to make deposits and reconcile the cash drawer on a daily basis. When employee Eleanor Sirois returns from Leave, she will also be trained. Our final backup will be Ruby Kitterman, a supervisor in Employment Services.

**Target Completion Date:** All cross-training will be fully implemented by September, 2002, when employee Sirois is expected to return.

**Benefits/Costs:** No additional costs. Benefits are improved cash controls.

Cc: George Miller

*DR Smith 5/7/02.*